

International Small Companies

Bay County Employees' Retirement System

September 2012

Representing Schroders:

Matthew Dobbs – Head of Global Small Cap Equities, Portfolio Manager

Cathie Mazza – Director of Client Relationship Management

Schroder Investment Management North America Inc.
875 Third Avenue, New York, NY 10022 – 6225

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Schroders

Investment philosophy

- Growth and Quality, but at a reasonable price
- Stock selection primary source of value added
- Long-term time horizon
- Strong risk framework
- A dedicated team

Resources

International smallcap

- 18 specialists in international small company research and investment*
- Regional sector analysts assume coverage where sectoral knowledge offers clear benefits
- Primary research conducted out of Schroder research offices globally
- Cross fertilization of investment ideas between regions

Portfolio Manager		
Matthew Dobbs 30 (30)		
Japan	Pacific ex Japan	Pan Europe
Takuya Furutani 8 (17)	Chua Piang Sze 8 (19) Richard Sennitt 18 (18)	Rosemary Banyard 14(29) Andrew Lynch 13(13)
Andrew Rose 31 (31) Ayumi Kobayashi 8 (23) Kazuhiro Toyoda 4 (22)	Yoon Hee Kyoung 5 (12) Kim Young Roe 4 (13) Jacqueline Kuek 6 (12) Jing Li 1 (8) Paul Rathband <1 (21)	Andy Brough 25 (25) Luke Biermann 5 (5) Iain Staples <1 (13) Rory Pike*** 1 (1)
8 Analysts**	20 Analysts**	17 Analysts**

= Number of years with Schrodgers
 (#) = Numbers of years investment experience
 *Source Schrodgers as of June 30, 2012
 ** June 30, 2012
 *** Includes other coverage

Investment Environment

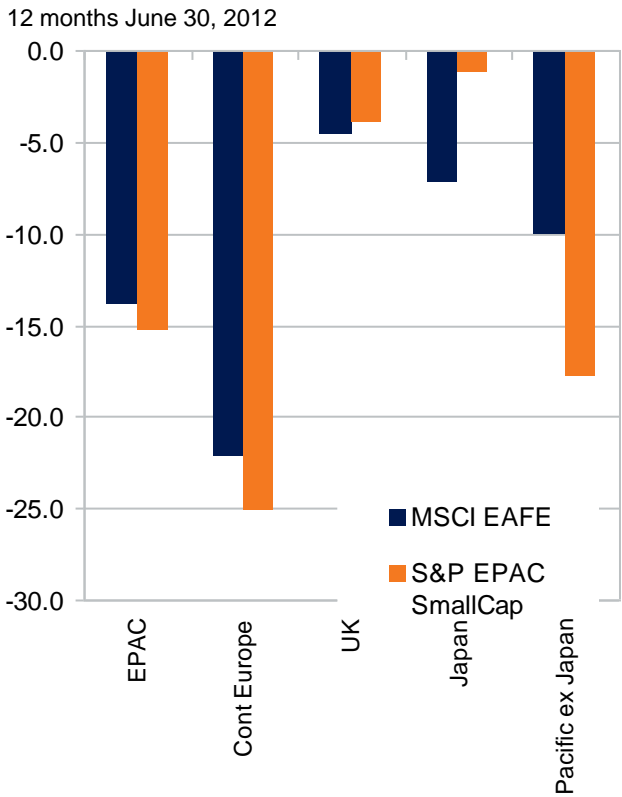
- Smaller companies underperformed their large cap peers in the 12 months to end of June with the S&P EPAC SmallCap Index down 15.3% versus a 13.8% fall in the MSCI EAFE Index.
- By region, smaller companies outperformed in Japan and the United Kingdom but lagged in Pacific ex Japan and continental Europe.
- Sectorally, the strongest absolute small cap returns have come from consumer staples (+3.6%), utilities (+3.1%) and health care (+3.0%). Cyclical sectors such as energy (-25.3%) and materials (-21.2%) produced the weakest returns.

S&P EPAC SmallCap vs MSCI EAFE



Source: Schroders, S&P, MSCI, June 30, 2012

MSCI EAFE & S&P EPAC SmallCap Performance in US\$(%)



Source: Schroders, S&P

Performance shown is past performance. Past performance is not necessarily a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

Performance

SISCO** - Bay County Employees' Retirement System

Benchmark: S&P EPAC SmallCap Index plus 150 basis points

Value: US\$ 8,651,951 as at June 30, 2012

Inception date: June 30, 2006

Performance to June 30, 2012 (in US\$%)

	YTD	1 year	3 years*	5 years*	Since Inception*
SISCO**	+5.4	-16.6	+9.7	-4.0	+1.5
Index***	+6.1	-13.8	+10.6	-3.6	+1.7
S&P EPAC SmallCap	+5.3	-15.3	+9.1	-5.1	+0.2
Value Added vs Index***	-0.7	-2.8	-0.9	-0.4	-0.2
Value Added vs S&P EPAC SmallCap	+0.1	-1.3	+0.6	+1.1	+1.3

Performance Attribution against S&P EPAC SmallCap Index

Contribution from	YTD	1 year	3 years*	5 years*
Stock Selection	-1.5	-1.5	+1.5	+1.2
Country Allocation	+0.9	-0.1	-0.8	0.0
Timing Residual	+0.7	+0.3	-0.1	-0.1
Difference Relative to S&P EPAC SmallCap	+0.1	-1.3	+0.6	+1.1

*Annualized

** Schroder International Small Companies Fund (SISCO).

*** S&P EPAC SmallCap Index plus 150 basis points

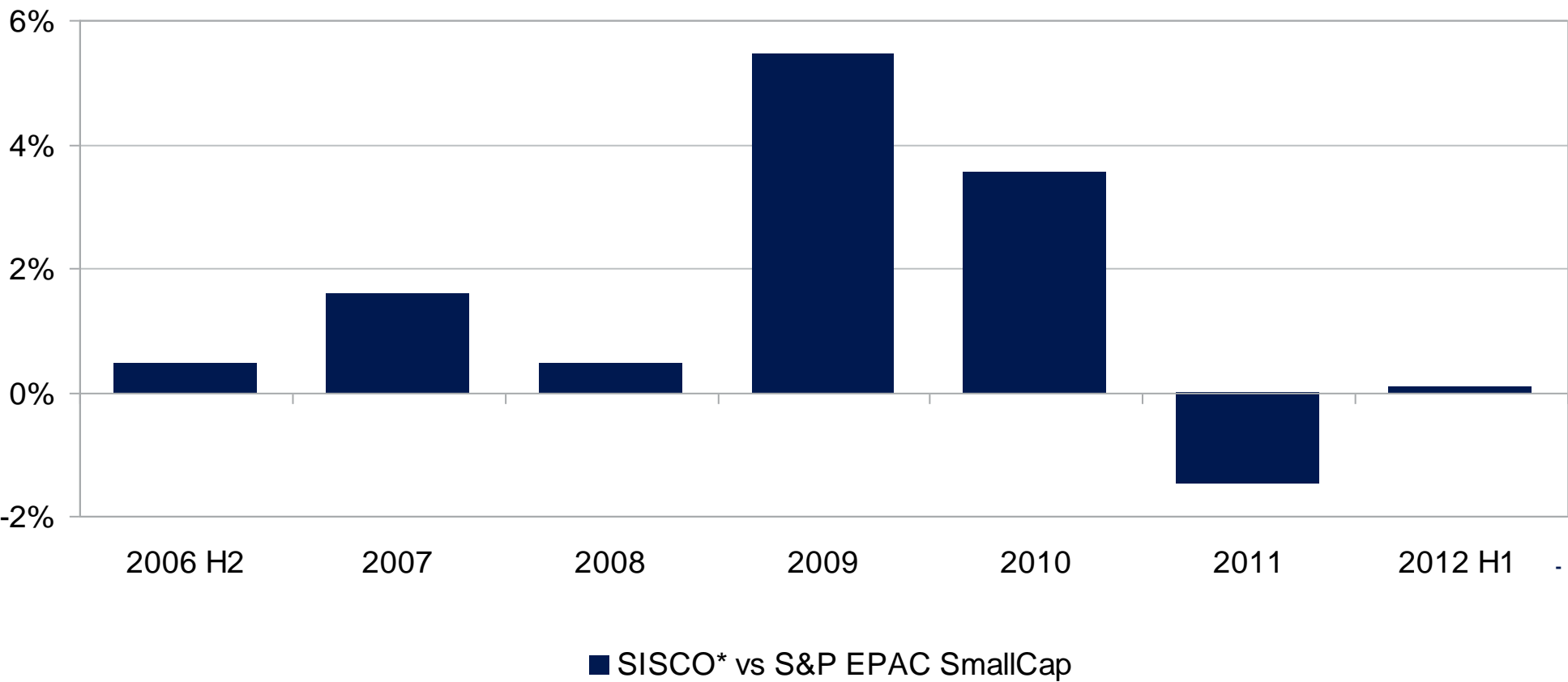
Source: Schroders, S&P, RPA

Past performance is not an indication of future performance. Please see full disclosures at the end of the presentation

Performance

SISCO* - Bay County Employees' Retirement System

Relative Calendar Year Performance versus S&P EPAC SmallCap Index

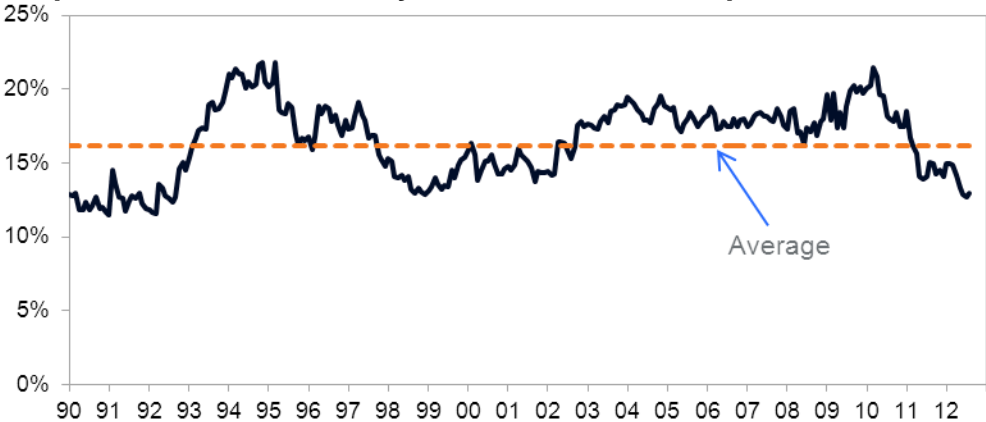


*Schroder International Small Companies Fund (SISCO).
Source: Schroders, S&P

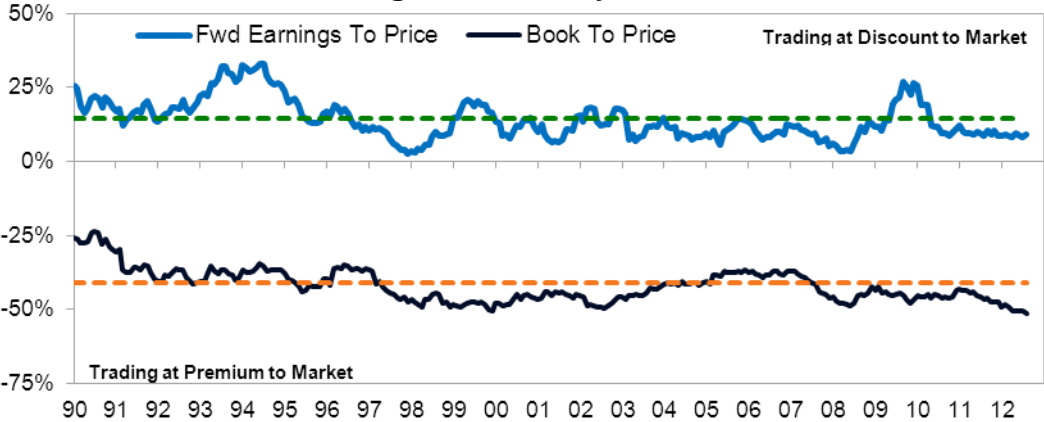
Market Outlook: Quality

Stability, Profitability & Financial Strength

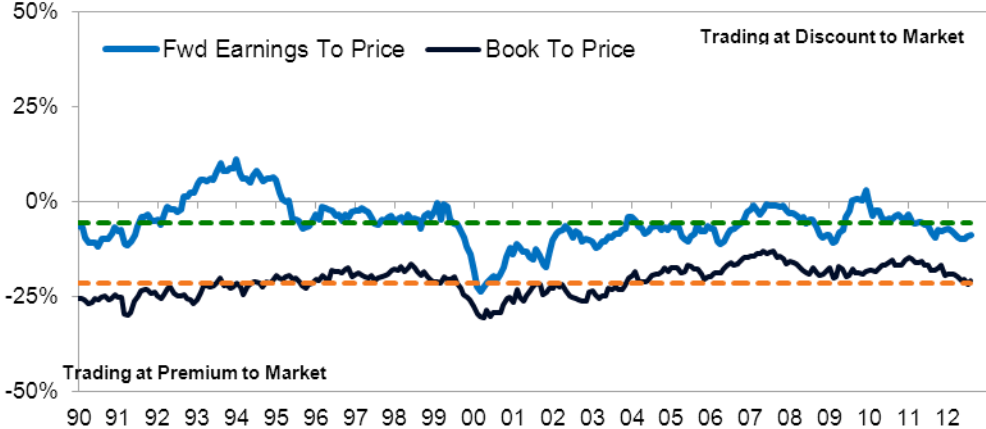
Proportion of Value-Quality universe that overlaps



Relative Valuation of High Profitability



Relative Valuation of High Financial Strength



Relative Valuation of High Stability



Source: Schroders, Worldscope as at 31 August 2012. Top left graph The universe is subdivided by splitting the Mega-Mid cap universe of global stocks along two independent dimensions: Value and Quality. Value (Quality) stocks are those stocks in the top 30% by Global Value (Quality) Rank. Other graphs: All Mega to Small ex Financials stocks are ranked according to their Profitability, Financial Strength and Stability. We then calculate the average 1 Yr Fwd Earnings To Price and Book To Price of those stocks within the top 25% of each rank and compare to all stocks.

Performance & Performance Attribution

12 months June 30, 2012

	SISCO*		S&P EPAC SmallCap		Total Effect
	End Weight	Total Return	End Weight	Total Return	
UK	19.0	-9.4	21.2	-3.9	-1.1
Continental Europe	35.5	-21.4	38.5	-25.2	1.6
Japan	17.9	-7.5	21.9	-1.2	-1.5
Pacific ex Japan	23.7	-20.6	18.4	-17.7	-0.9
Cash	3.9	-	-	-	0.3
Residual	-	-	-	-	0.3
Total	100.0	-16.6	100.0	-15.3	-1.3

Top 5 Active Contributors

12 months June 30, 2012

	Return (%)	Contribution (%)
freenet	24.4	0.52
Alcatel-Lucent**	-71.4	0.35
Azimut Holding	13.8	0.35
STX OSV Holdings	14.3	0.34
Hamworthy	20.8	0.34

Top 5 Active Detractors

12 months June 30, 2012

	Return (%)	Contribution (%)
EVA Precision Industrial	-74.1	-0.81
Ports Design	-53.5	-0.45
Exillon Energy	-77.0	-0.35
Leoch International Technolo	-55.1	-0.35
Rheinmetall	-41.7	-0.32

**Position not held in portfolio - index performance is shown

* Schroder International Small Companies Fund (SISCO).

Source: Schrodgers, S&P, RPA, Factset PA2

Fund characteristics

Schroders* vs S&P EPAC SmallCap index

As at June 30, 2012

	Schroders*	Index
No of stocks	204	3,357
Free Market Capitalization US\$M		
Minimum	14	5
Maximum	8,770	8,308
Weighted Average	1,240	1,725
Median	685	274

Valuation factors	Schroders*	Index
P/E (12mo trailing)	14.1	16.1
P/CF	6.7	6.6
P/BV	1.3	1.2
Long Term Debt/Equity	39.9	55.6
ROE	12.4	12.0

	Schroders*	Index
Percentage>\$3Bn	10.7%	18.7%
Percentage>\$1Bn<\$3Bn	28.1%	33.3%
Percentage>\$0.5Bn<\$1Bn	28.8%	21.9%
Percentage<\$0.5Bn	32.5%	26.0%
Total	100.0%	100.0%

Valuation factors	Schroders*	Index
3 Year Sales Growth	2.8	3.0
3 Year Dividend Growth	15.7	12.2
3 Year Earnings Growth	26.8	25.7
Dividend Payout Ratio	30.2	29.7
Dividend Yield	2.9	2.8

<u>Predicted Risk</u>		<u>Active Risk Decomposition (from BARRA)</u>	
Tracking Error	2.49%	Stock Specific Factor	62.2%
Tracking Error (Schroders)	2.2%	Industrial Sectors	4.7%
Beta	0.97	Countries	23.1%
Benchmark Volatility	22.9%	Risk Indices	1.8%
Absolute Fund Volatility	22.3%	Market risk	8.3%
Figures from Barra unless otherwise stated)			

* Schroder International Small Companies Fund (SISCO).
Source: Schroders Risk Report, Factset

Investment strategy:

Country weightings

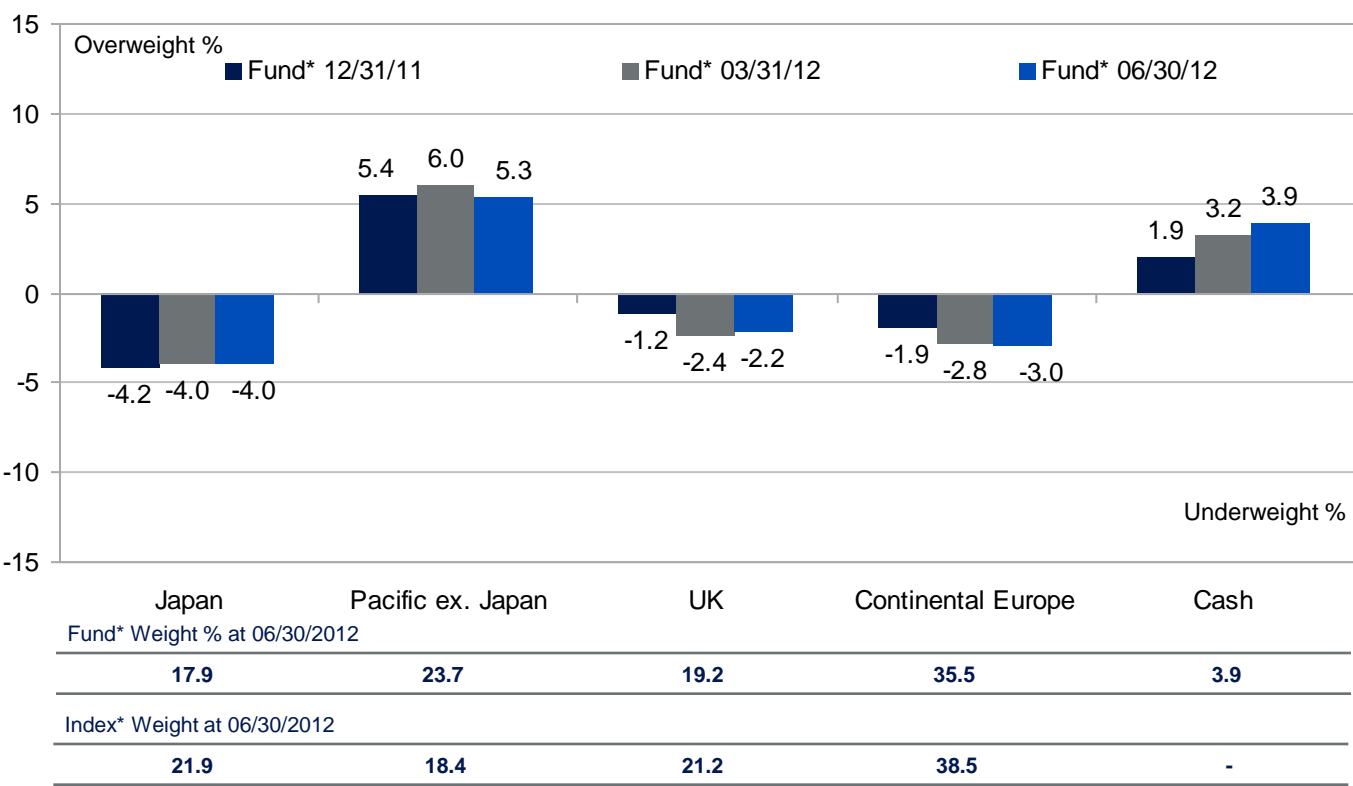
We have remained underweight in continental Europe over the period. Some cash has been released through M & A activity among our holdings, and other stock specific factors. Although the macro headwinds are well aired, the region offers strong valuation attractions, and a broad opportunity set from which we believe it is possible to identify attractive smallcap stocks. These tend to be in the core northern European markets, though we have overweightings in Ireland and Italy among the periphery. Key sector overweightings include consumer discretionary, information technology and telecom services.

We have (again) been somewhat surprised by the continued resilience of United Kingdom smallcap equities. They have, perhaps, derived some benefit from the supposed “safe-haven” status of the economy and its asset markets, perhaps on the principle that “in the land of the blind, the one-eyed man is King”. The shape of the portfolio remains oriented towards steady growth companies, early stage energy, strong niche exporters and a selective number of inexpensive domestic stock where the challenging environment appears adequately reflected in cheap valuations.

The underweighting in Japan is primarily accounted for by the minimal exposure to financials. This has cost us over the last twelve months, but we continue to see better value elsewhere, mostly among more global/export oriented sectors and companies. Although there many seemingly cheap smaller companies, true crystallization of value through a sea-change in the attitude to shareholders appears as remote as ever.

We remain overweight Pacific ex Japan based on the long term attractions of the region in terms of growth, financial strength and the increased room to manoeuvre on the policy front given rapidly declining inflation. Slowing growth presents considerable challenges to corporate margins, but consensus expectations have fallen to more realistic levels (although individual shortfalls are being harshly treated) and valuations look increasingly compelling. We look to add in coming months.

Measured against S&P EPAC SmallCap Index



* Schroder International Small Companies Fund (SISCO).
Source: Schroders, S&P

Portfolio positioning

Country Sector Matrix

S&P EPAC SmallCap Index as at June 30, 2012

	Total	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	IT	Materials	Telecoms	Utilities
Cont. Europe	38.5	5.0	2.4	1.1	7.6	3.4	9.6	4.2	3.5	0.7	0.9
Japan	21.9	4.5	2.3	0.1	3.7	1.1	5.2	2.3	2.5	0.0	0.1
Pacific ex. Japan	18.4	3.5	1.1	0.8	3.5	1.0	3.1	1.4	2.9	0.3	0.9
UK	21.2	5.1	0.8	0.9	4.1	0.4	5.7	1.7	1.6	0.5	0.5
Total	100.0	18.1	6.7	3.0	18.8	5.9	23.5	9.6	10.5	1.5	2.4

SISCO*** as at June 30, 2012

	Total	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	IT	Materials	Telecoms	Utilities
Cont. Europe	35.5	8.1	1.1	1.3	6.2	2.3	8.3	5.1	1.6	1.3	0.0
Japan	17.9	3.7	1.6	1.2	0.7	1.0	5.4	0.8	3.6	0.0	0.0
Pacific ex. Japan	23.7	5.3	0.7	0.5	3.9	1.7	5.4	1.8	3.6	0.7	0.0
UK	19.0	4.0	0.4	1.6	2.0	0.7	4.8	3.3	1.2	0.5	0.4
Total**	96.1	21.2	3.8	4.6	12.8	5.8	23.9	11.0	10.0	2.5	0.4

SISCO*** vs S&P EPAC Small Cap Index

	Total	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	IT	Materials	Telecoms	Utilities
Cont. Europe	-3.0	3.2	-1.3	0.3	-1.4	-1.1	-1.3	0.9	-1.9	0.6	-0.9
Japan	-4.0	-0.9	-0.8	1.0	-3.0	-0.1	0.3	-1.6	1.1	0.0	-0.1
Pacific ex. Japan	5.3	1.8	-0.5	-0.3	0.4	0.7	2.4	0.4	0.7	0.5	-0.9
UK	-2.2	-1.1	-0.4	0.7	-2.1	0.3	-0.9	1.6	-0.4	-0.1	-0.1
Total***	-3.9	3.1	-2.9	1.7	-6.0	-0.1	0.4	1.4	-0.5	0.9	-2.0

* Cash 3.9%

** Difference due to 3.9% cash weighting

*** Schroder International Small Companies Fund (SISCO).

Source: Schroders, S&P

Recent Stock Transactions by Region

SISCO*

Significant New Buys since June 30, 2011

Security	Country	Weight June 30, 2012 %
Techtronic Industries	Hong Kong	1.0
Sembcorp Marine	Singapore	0.9
Chorus Ltd.	New Zealand	0.7
Uol Group	Singapore	0.7
Johnson Electric	Hong Kong	0.7
Nippon Soda	Japan	0.6
Capcom Co.	Japan	0.6
Xing Ag	Germany	0.6
Unipres Corp.	Japan	0.6
Yue Yuen Industrial	Hong Kong	0.6

Significant Complete Sales since June 30, 2011

Security	Country	Weight June 30, 2011 %
Bilfinger Berger	Germany	1.1
Royal Imtech	Netherlands	1.1
Biosensors International	Singapore	1.1
Rubis Sca	France	1.0
Solar A/S	Denmark	0.7
Hamworthy	United Kingdom	0.7
Fugro N.V.	Netherlands	0.6
Osaka Titanium	Japan	0.6
Statoil Fuel	Norway	0.5
Grenkeleasing Ag	Germany	0.5

* Schroder International Small Companies Fund (SISCO).
Source: Schroders

SISCO*

Top ten holdings by region – June 30, 2012

Europe

Country	Security	Weight in fund %	Weight in region %
Germany	Freenet Ag	1.3	3.6
Italy	Azimut Holding	1.3	3.6
Netherlands	Delta Lloyd	1.2	3.5
Switzerland	Helvetia Holding	1.1	3.1
Switzerland	Gategroup Holding	1.1	3.0
Germany	Rheinmetall Ag	1.0	2.9
Ireland	Dcc Plc	1.0	2.8
Netherlands	Koninklijke Ten Cate	0.9	2.6
Germany	Tom Tailor	0.9	2.5
Austria	Kapsch Trafficcom	0.8	2.4
Total		10.6	30.0

Japan

Country	Security	Weight in fund %	Weight in region %
Japan	Modec Inc.	0.9	5.0
Japan	Nihon Parkerizing	0.8	4.5
Japan	Arcs Co.	0.8	4.3
Japan	Tokai Tokyo Financial	0.7	3.9
Japan	Trusco Nakayama	0.7	3.6
Japan	Nec Networks	0.6	3.6
Japan	Musashi Seimitsu	0.6	3.5
Japan	Nippon Soda	0.6	3.4
Japan	Glory Ltd.	0.6	3.3
Japan	Nitta Corp.	0.6	3.3
Total		6.9	38.4

UK

Country	Security	Weight in fund %	Weight in region %
UK	Berkeley Group	0.7	3.5
UK	Diploma Plc	0.6	3.2
UK	Elementis Plc	0.6	3.1
UK	Kier Group	0.5	2.8
UK	Dignity Plc	0.5	2.7
UK	Senior Plc	0.5	2.7
UK	Derwent London	0.5	2.7
UK	Dechra Pharmaceuticals	0.5	2.6
UK	Travis Perkins	0.5	2.6
UK	Millennium & Copthorne	0.5	2.5
Total		5.4	28.4

Asia ex. Japan

Country	Security	Weight in fund %	Weight in region %
Singapore	Stx Osv	1.3	5.4
China	Yuexiu Transport	1.2	4.9
New Zealand	Fletcher Building	1.1	4.6
South Korea	Bs Financial	1.0	4.2
Hong Kong	Techtronic Industries	1.0	4.2
South Korea	Hankook Tire	1.0	4.1
Australia	Ansell Ltd.	1.0	4.1
Singapore	Mapletree Industrial	0.9	3.9
Australia	Computershare Ltd.	0.9	3.9
Australia	Ancor Ltd.	0.9	3.7
Total		10.3	43.0

* Schroder International Small Companies Fund (SISCO).

Source: Schroders

Investment Outlook & Strategy



Schroders

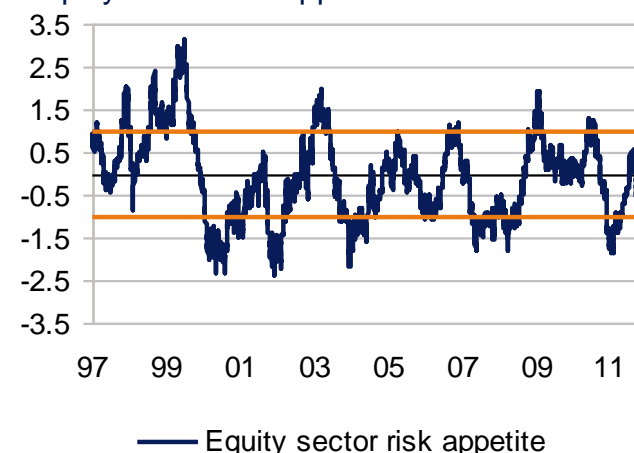
Overview

- Co-ordinated upswing has become co-ordinated downswing
- Interest rates and monetary policy easier for longer
- Sentiment is muted but has not reached despair
- Corporate sector in good shape – valuations reasonable
- Emerging Markets facing growth challenges but policy options re-emerging

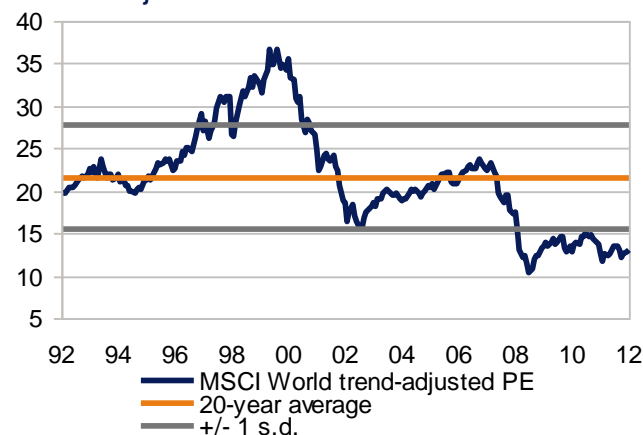
Global economic data upside surprises fading¹



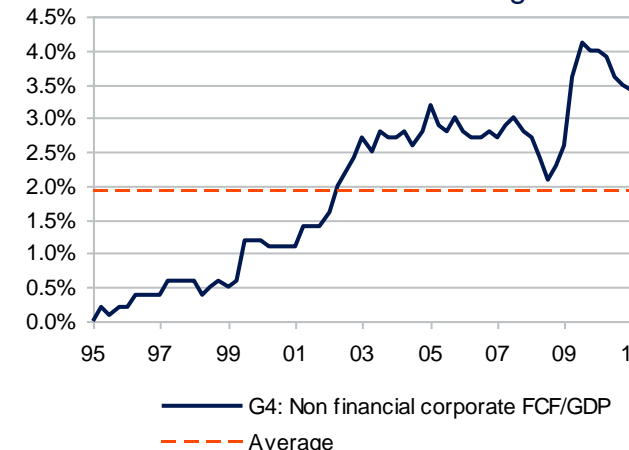
Equity sector risk appetite²



Trend-adjusted PE³



FCF as a % of GDP remains strong⁴



Source:

¹ Bloomberg as at August 31, 2012

² Credit Suisse Research August 31, 2012

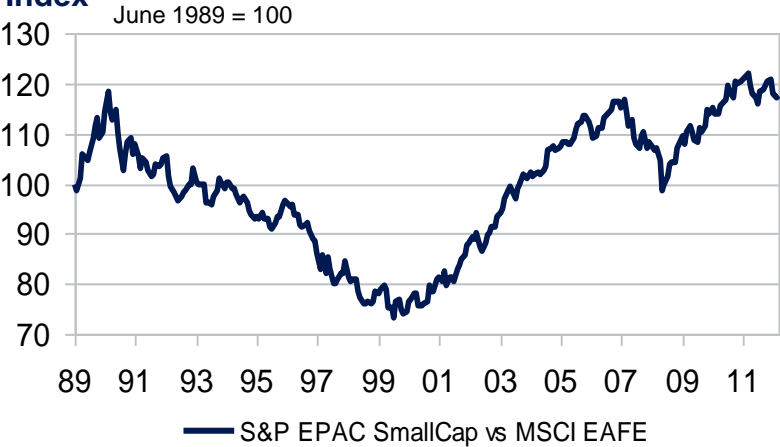
³ RIMES, Thomson Datastream, Schroders, August 31, 2012.

Note: Trend-adjusted PE is based on earnings per share based over 20 years of history

⁴ Credit Suisse Research June 30, 2012

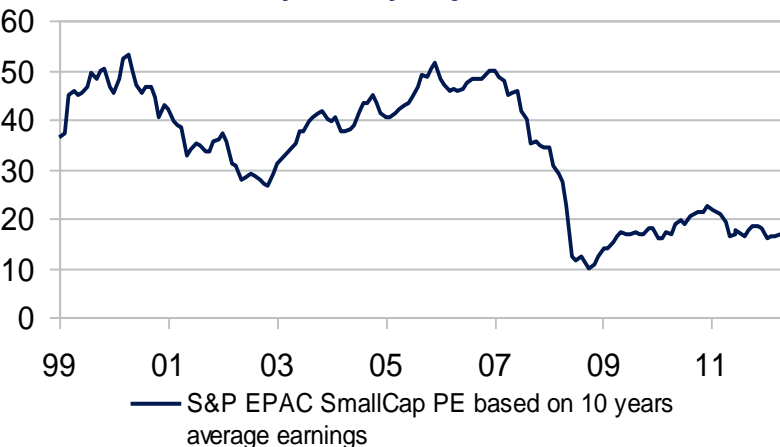
Small Cap Valuations

S&P EPAC SmallCap Index vs MSCI EAFE Index



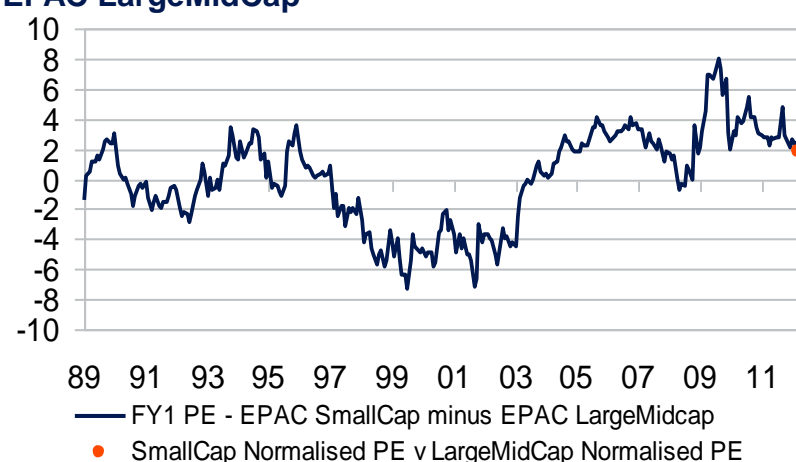
Source: Schroders, S&P, MSCI, August 31, 2012

Still attractive on cyclically adjusted basis



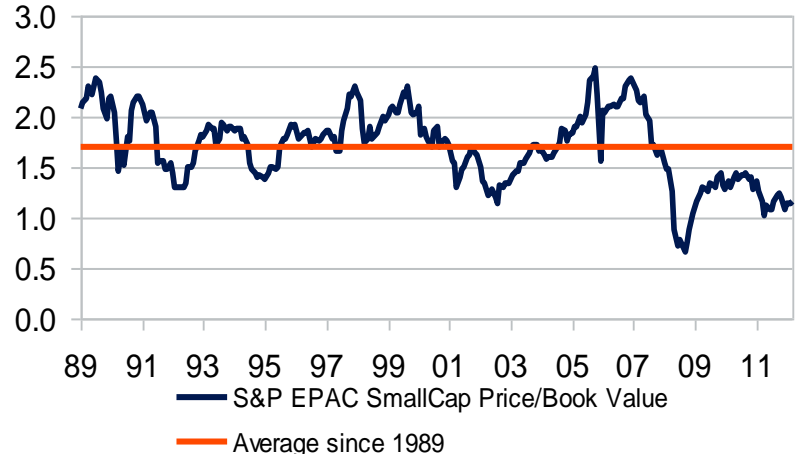
Source: Schroders, S&P, August 31, 2012

FY1 PE – S&P EPAC SmallCap minus S&P EPAC LargeMidCap



Source: Schroders, Factset PA2, S&P, August 31, 2012

and not extended on Price/Book Value



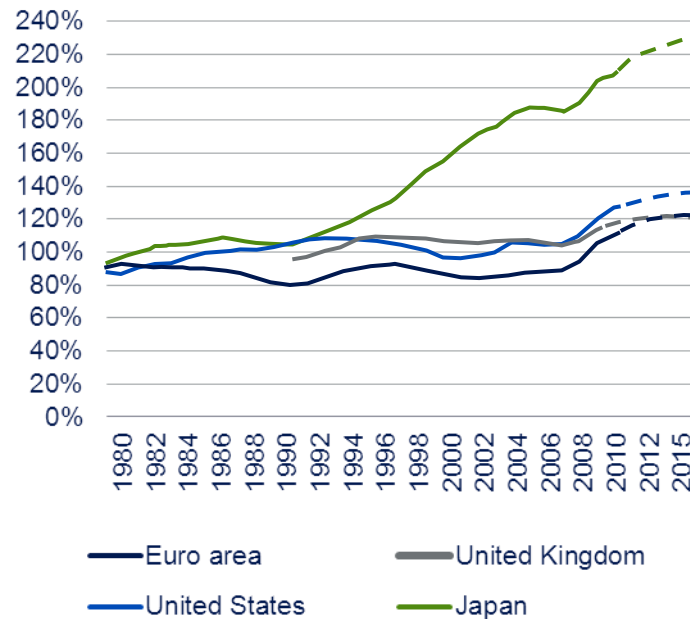
Source: Schroders, S&P, August 31, 2012

Investment Outlook

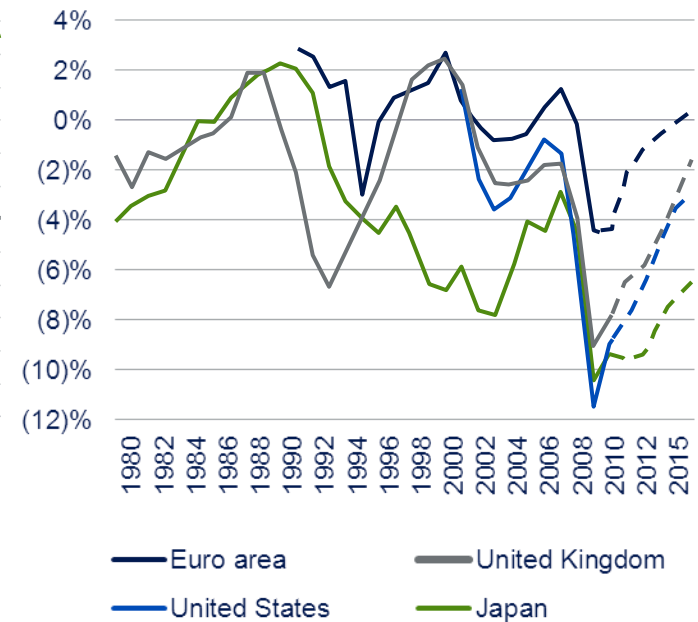
Continental Europe

- Probability of a Greek exit from the euro may be high, but the probability of a wider fragmentation is very low – principally because the consequences would be calamitous in the extreme
- The euro crisis is solvable; gross government debt to GDP and primary balances are relatively robust
- The problem is the distribution of debt and GDP. Hence Eurobonds coupled with clear mechanisms for enforcing fiscal discipline must ultimately be part of any sustainable solution

Gross government debt as % GDP



Primary surplus / deficit as % GDP



Investment Outlook

Continental Europe - The bottom-up case

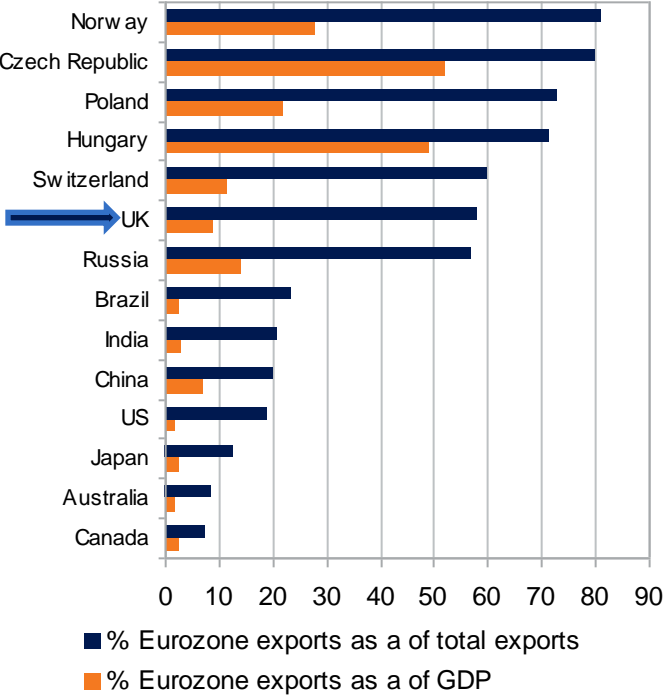
Company Classification		Examples		
High Quality Growth	Azimut Holding	1.2%	Medica	0.5%
	Mayr-Melnhof Karton	0.7%	Stratec Biomedical	0.4%
	Wirecard	0.7%	CANCOM	0.2%
	Tipp24	0.6%	Carl Zeiss Meditec	0.1%
	MTU Aero Engines	0.5%		
Periphery Misnomers	DCC	1.1%	Irish Continental Grp	0.4%
	Prysmian	0.6%	Amplifon	0.4%
	IFG Group	0.5%	Smurfit Kappa	0.3%
“Rare” Assets	Rosenbauer Int	0.8%	Lectra	0.6%
	Dockwise	0.8%	LBi International	0.5%
	Xing	0.7%	RIB Software	0.4%
	Groupe Eurotunnel	0.6%	Brunello Cucinelli	0.2%
Compelling Value	freenet	1.3%	Ten Cate	0.8%
	Delta Lloyd	1.2%	Kuoni Reisen	0.7%
	Helvetia	1.1%	Orior	0.7%
	gategroup	1.1%	Tessengerlo Chemie	0.7%
	Rheinmetall	1.0%	SAF-HOLLAND	0.5%
	Tom Tailor	1.0%	StoreBrand	0.4%

Source: Schroders July 31, 2012. Weight in representative account within the Schroder US International Small Cap Fund Composite.
Blue highlighted stocks are recent buys.

Investment Outlook

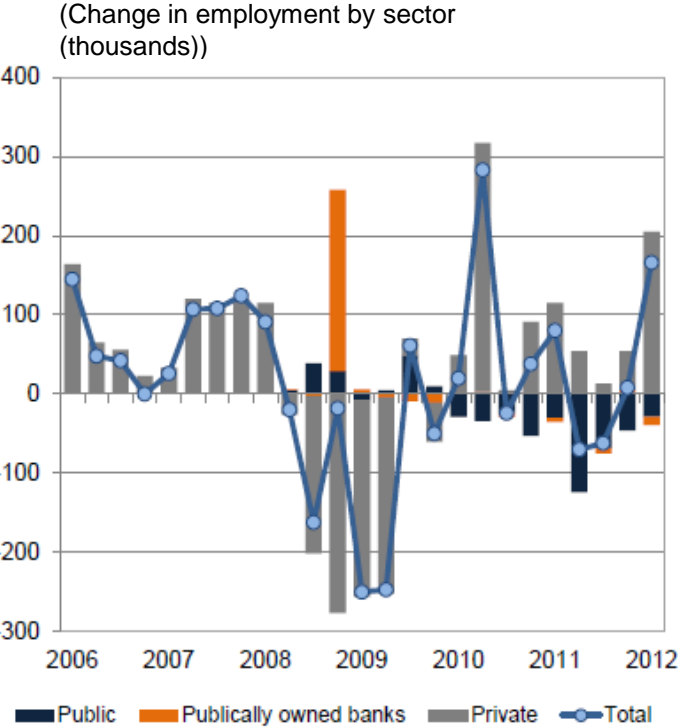
United Kingdom – balancing act

Main exports market weak – Exposure to Europe



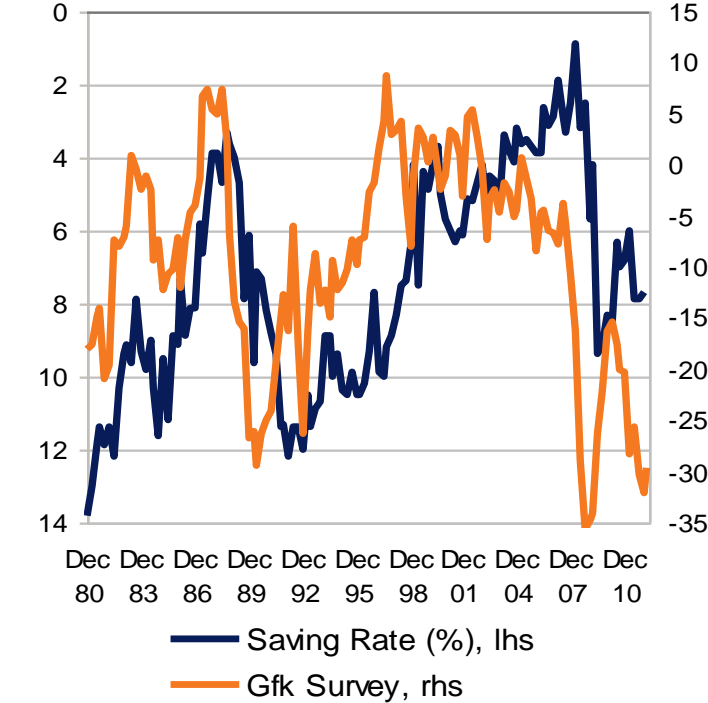
Source: IMF Direction of Trade (DOT) database. Average between 2006-10. Updated 28/10/2011

Government cuts starting to bite



Source: ONS, Schroders, 31/05/2012

Weak consumer confidence suggest precautionary savings will rise



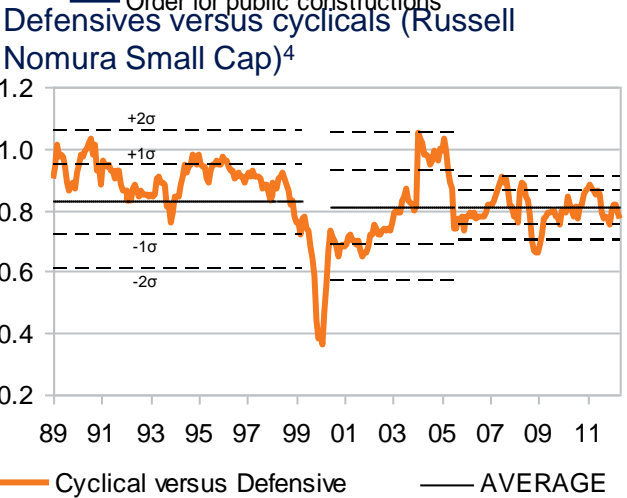
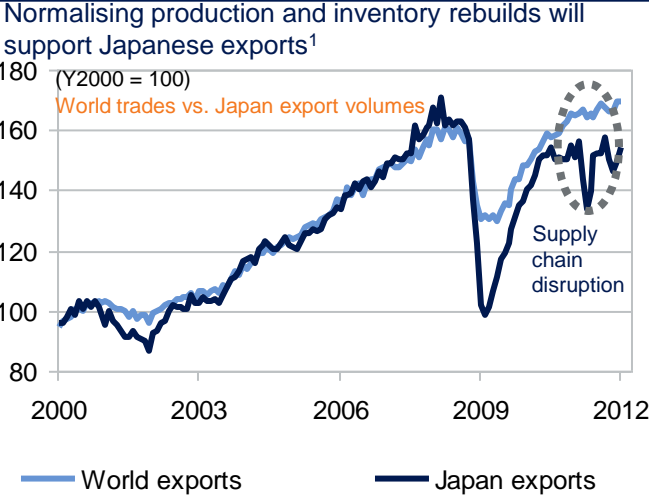
Source: Thomson Datastream, ONS, GfK, Nationwide, Schroders. Updated May 2012.

Investment Outlook

Japan

- Production has scope to recover post tsunami and Thai floods
- Re-construction driving domestic activity but sequential impact waning
- Inflation expectations have picked up, but will bond markets react?
- Cyclicals once more offering value versus defensives

Source:
¹Source: CPB Netherlands Bureau for Economic Policy Analysis
²Source: Nomura, Ministry of Land, Infrastructure as at May 2012
³Source: Bloomberg as at May 2012
⁴Source: Russell Normura, Schroders. May 31, 2012

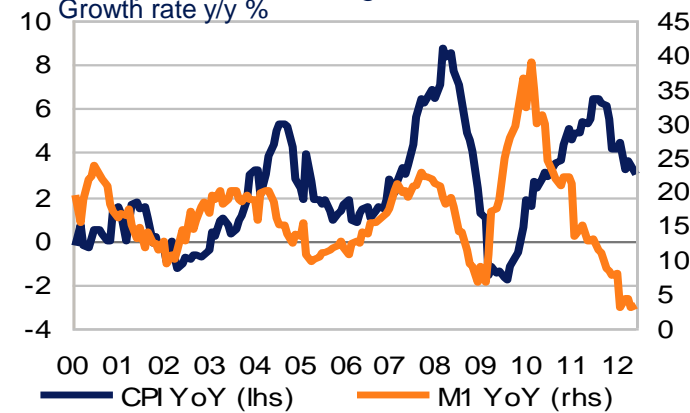


Investment Outlook

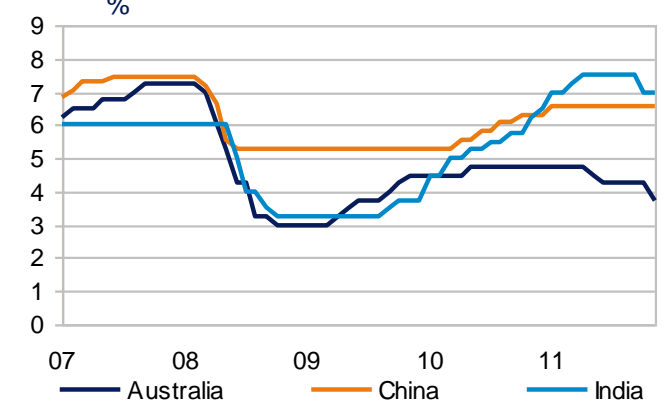
Asia ex Japan

- Monetary policy has been tight – not least in China. This leaves room for manoeuvre, but we would expect policy moves to be incremental rather than dramatic
- Longer-term policy issues remain such as rebalancing growth in China and infrastructure in India and some South East Asian economies
- Stage is set for smaller companies to move more firmly into investor consideration given growing opportunity set and different sector exposure

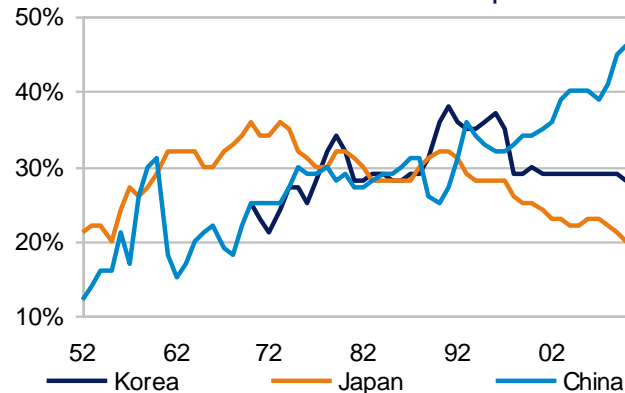
Inflation pressures easing in China¹



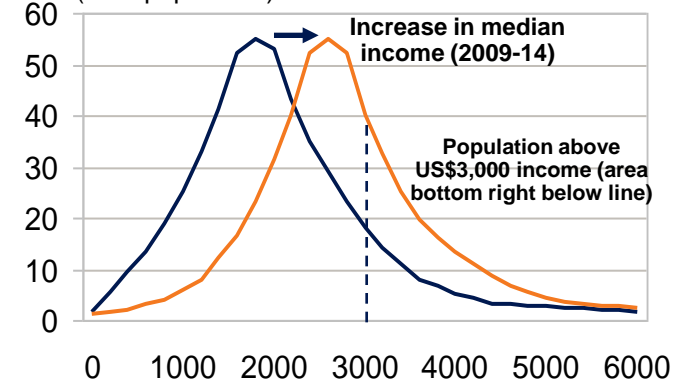
Interest rates room to cut²



An economy's growth tends to slow once the investment share of GDP has peaked³



Middle class in China⁴
(% of population)



¹ Source: Bloomberg. May 31, 2012

² Source: Bloomberg. May 31, 2012

³Source: Credit Suisse. May 31, 2012

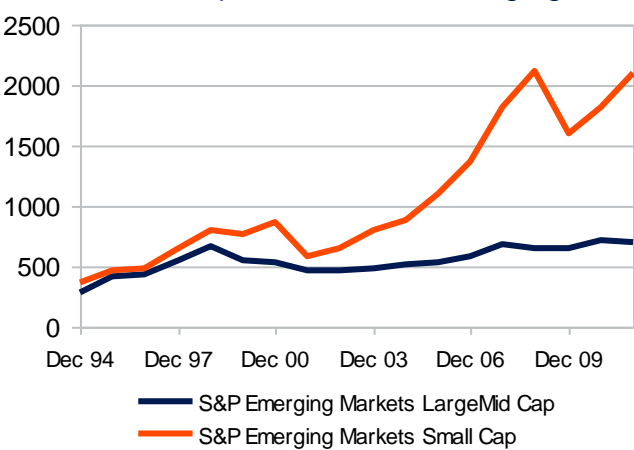
⁴Source: CLSA Asia Pacific Markets. March 2011

Investment Outlook

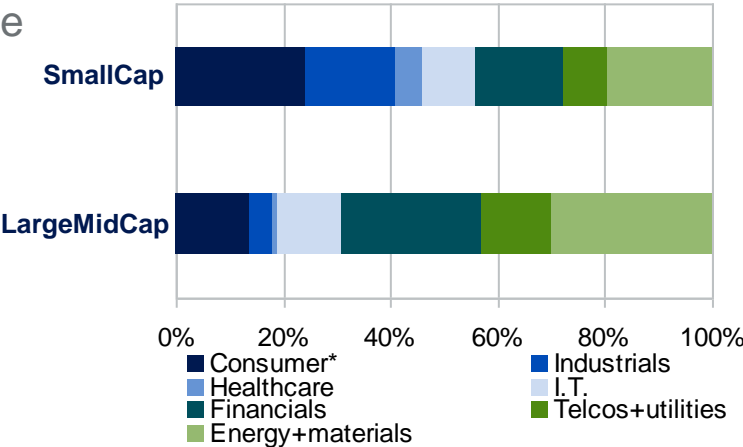
Emerging Markets

- Emerging Small Cap opportunity set has expanded from approximately 500 companies to over 2000 in the last 10 years
- Distribution of stocks remains primarily in Asia, which is also where growth in universe is most marked
- Smaller companies tend to be more consumer focused, and less in energy and materials
- Historically offered higher returns, but at higher volatility

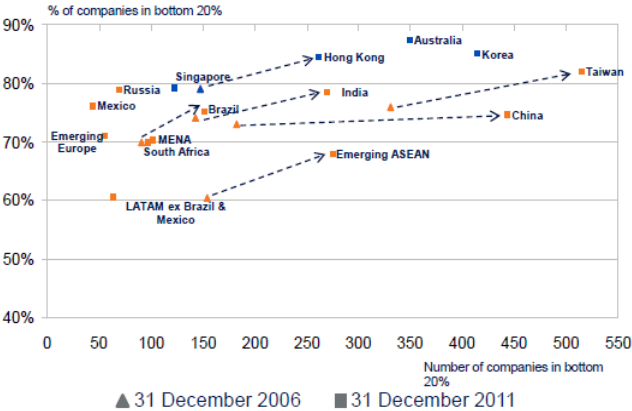
Number of companies in S&P Emerging Markets¹



Sector breakdown – S&P emerging markets³



Opportunity set comparison²



Risk/Return – 10 years December 31, 2011⁴

Index	Return p.a.	Standard Deviation p.a.
S&P EPAC LargeCap	5.3%	18.9%
S&P EPAC SmallCap	9.0%	20.1%
S&P Emerging Markets LargeCap	13.7%	23.6%
S&P Emerging Markets SmallCap	16.4%	26.0%

¹ Source: Factset, S&P Schroders 31 December 2011. Dec 2008, 2009, 2010 and 2011 index data calculated on an 80/20 split between Large and Small Cap stocks

² Source: Source: S&P, Schroders, 31 December 2011. Index data calculated on an 80/20 split between large and small cap stocks

³ Source: S&P, Schroders. 31 December 2011. *Consumer discretionary and consumer staples. Index data calculated on an 80/20 split between large and small cap stocks

⁴ Source: Schroders, S&P. December 31, 2011

Appendix



Schroders

Investment philosophy

- Growth and Quality, but at a reasonable price
- Stock selection primary source of value added
- Long-term time horizon
- Strong risk framework
- A dedicated team

Investment process

Overview

Quantitative

Schroders Economic Team

- Regional Allocation
- Risk Management

International Small Companies
Investment Committee

Matthew Dobbs &
Regional PM's

Risk Measurement

Portfolio

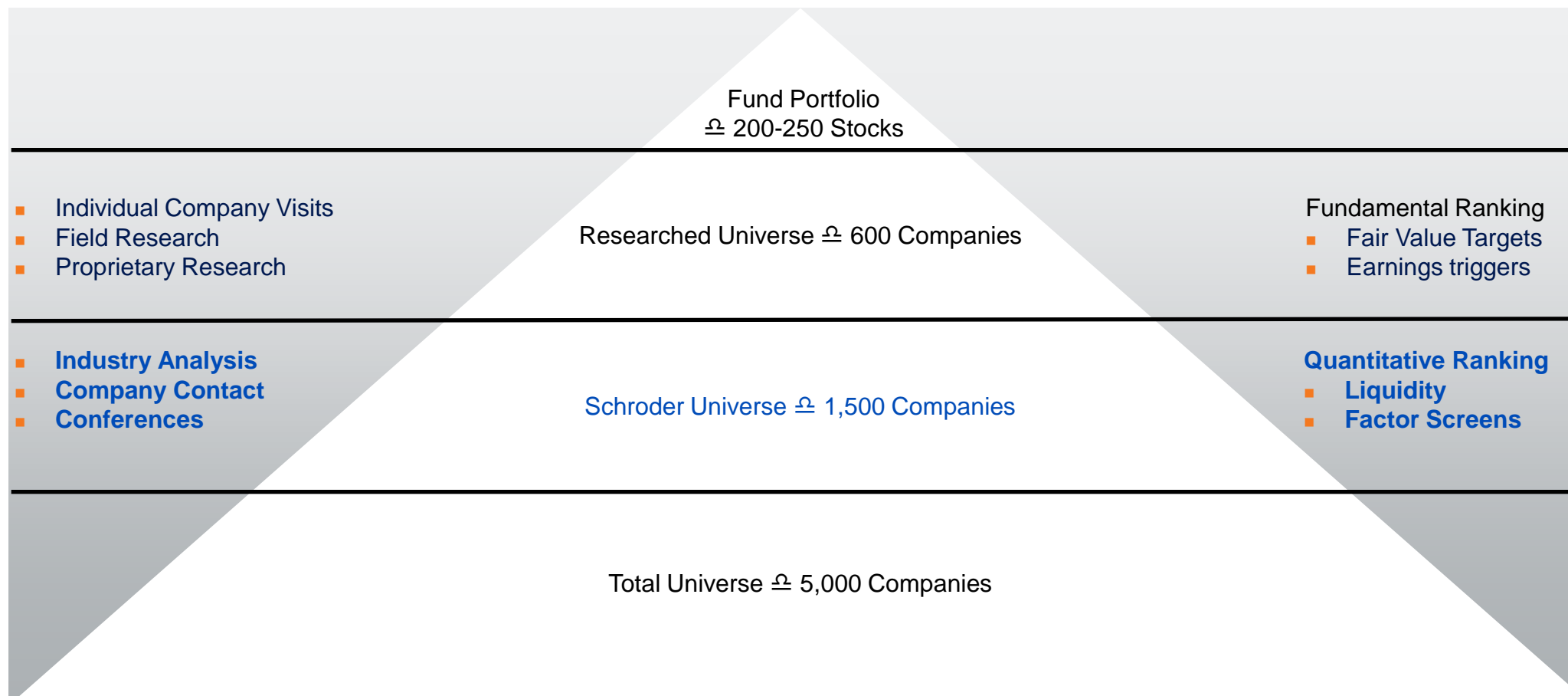
Small Cap Regional
Portfolio Managers

Small Cap Analysts

- Stock Selection

Investment process

Stock selection



Investment process

Factor screens help define Schroder universe

- Concentrate investments in quintiles 1 and 2
- Source new ideas
- Challenge views on stocks held in quintiles 4 and 5

The equally weighted metrics underlying each criterion are:

Criterion	Metrics
Growth	EPS revisions Revisions ratio
Quality	ROE ROA Change in ROE (year on year)
Value	Earnings yield

Pan Europe - December 31, 2011				VALUE				QUALITY				EARNINGS										
				% Rank	COMBINED	Market		% Rank	% Rank	% Rank		% Rank	% Rank	% Rank	% Rank	% Rank	% Rank	% Rank	% Rank	% Rank	% Rank	
		SEDOL		VALUE	SCORE	Cap	Price	PE Ratio	Earns. Yld	QUALITY	ROE	ROE	Return on	ROA	Change	Change	EARNINGS	EPS	EPS	Revisions	Revisions	
Company				(OVERALL)	(1-4)	(Euros, Millions)	(Euros)	(FY1 earnings)	(=1/PE)	(OVERALL)	(%)	(%)	Total Assets	(%)	in ROE	in ROE	(OVERALL)	Revisions	Revisions	Ratio	Ratio	
Symbol	Company Name	Number	Country	(OVERALL)	(1-4)	(Euros, Millions)	(Euros)	(trailing earnings)					(%)	(%)	(%)	(% per annum)		(%)	(%)	(%)	(%)	
423358	BE SEMICONDUCTOR	423358	NETHERLANDS	1	1	208	5.2	17	7.8	17	3	19.0	26	15.1	7	8.0	9	16	6.3	13	38	
B5KKT9	CABLE & WIRE COMM	B5KKT9	UNITED KINGDOM	1	1	1,094	0.4	21	8.4	22	3	50.5	4	5.5	38	69.1	2	6	10.0	9	5.6	20
573040	CORP FINANC ALBA	573040	SPAIN	1	1	1,852	31.2	4	4.6	4	10	14.6	37	11.4	13	2.0	27	17	-0.3	46	22.2	7
B3CTJS	ELECNOR SA	B3CTJS	SPAIN	1	1	870	10.0	15	7.5	15	7	25.9	14	4.7	44	6.4	11	5	3.2	19	50.0	2
537095	IBERPAPEL GESTION	537095	SPAIN	1	1	143	12.7	10	6.5	10	15	12.6	43	8.2	23	2.1	27	3	9.8	9	25.0	6
494351	INDUS HOLDING AG	494351	GERMANY	1	1	446	20.1	10	6.4	10	9	22.4	19	5.4	38	4.0	18	3	5.4	15	66.7	1
468172	INFICON HOLDING AG	468172	SWITZERLAND	1	1	273	127.4	29	9.3	29	5	18.4	27	12.3	12	3.4	20	4	6.2	13	25.0	6
B09LSH	INMARSAT	B09LSH	UNITED KINGDOM	1	1	2,258	5.0	20	8.1	20	4	25.4	15	8.4	22	6.0	12	12	1.8	24	5.3	20
458435	METKA SA	458435	GREECE	1	1	301	5.8	2	3.6	2	3	38.4	7	10.8	15	3.0	21	3	10.3	8	18.2	9
B079W5	MICRO FOCUS	B079W5	UNITED KINGDOM	1	1	886	4.8	29	9.3	30	1	43.0	6	17.6	5	14.4	5	2	18.7	5	20.0	8

Source: Schroders

The security information shown is for illustrative purposes, is subject to change, and is not a recommendation to buy/sell. Past performance is no guarantee of future results

The value of an investment can go down as well as up and is not guaranteed

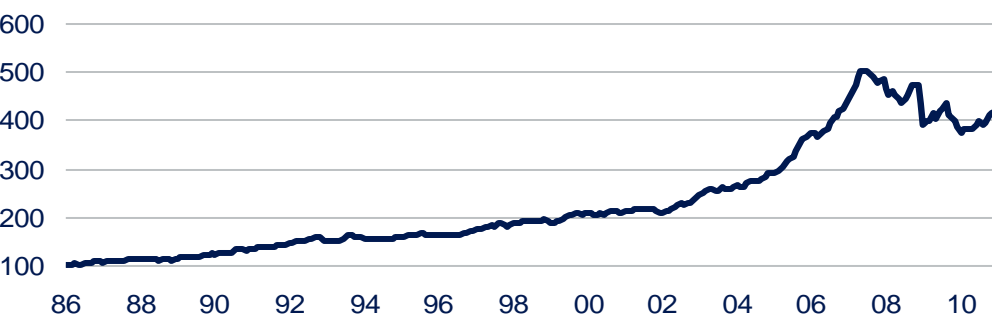
Investment process

Results of back testing of factor screens

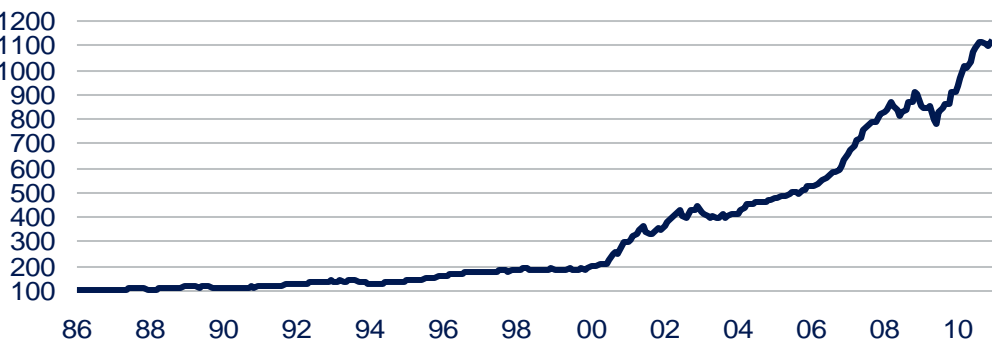
UK Small-Cap (Top Quintile - Bottom Quintile)
Cumulative Excess Return



Japan Small-Cap (Top Quintile - Bottom Quintile)
Cumulative Excess Return



Europe ex UK Small-Cap (Top Quintile - Bottom Quintile)
Cumulative Excess Return



Asia (Top Quintile - Bottom Quintile)
Cumulative Excess Return

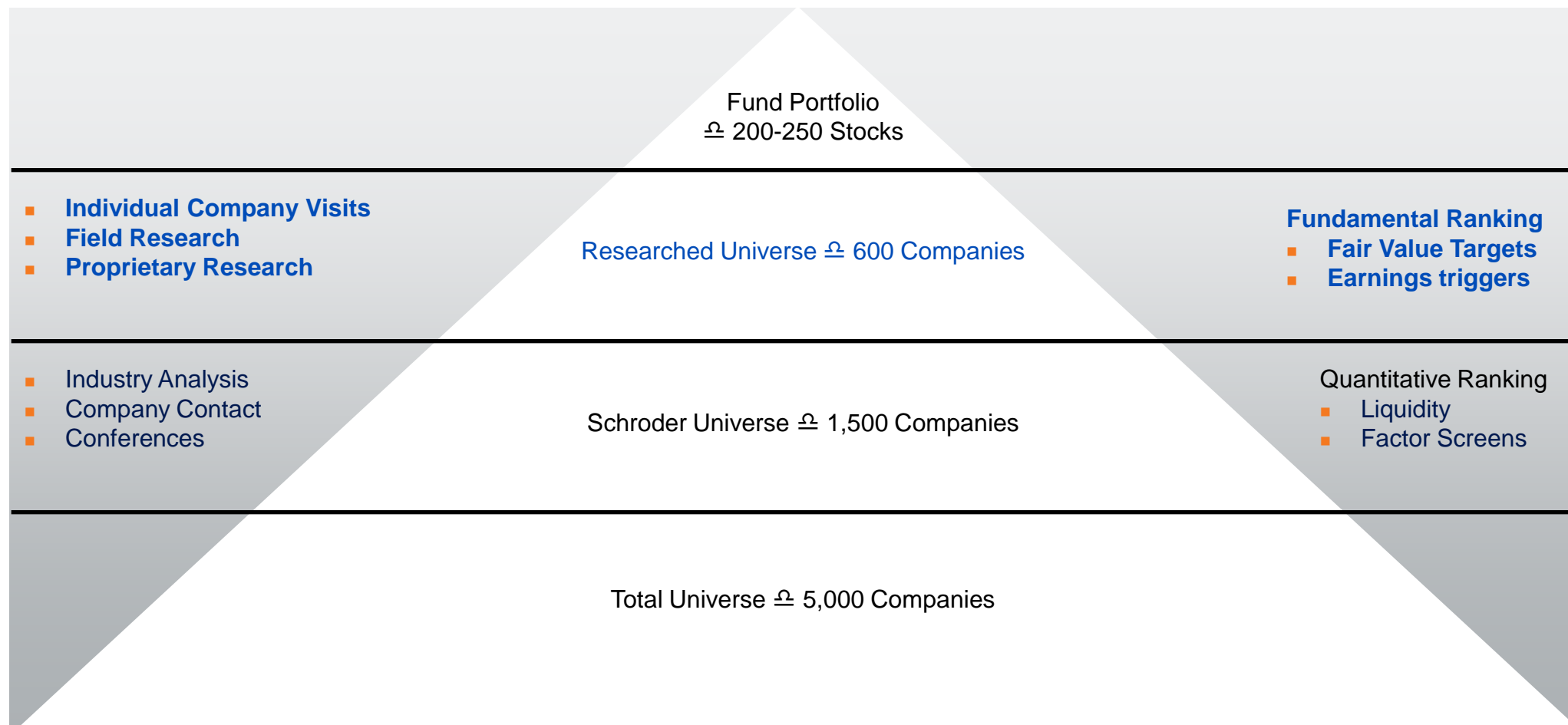


Source: Schroders, March 31, 2011

The charts above show the difference in the returns of stocks based on their ranking by a quantitative model used in the stock selection process. In practice, the quantitative model is applied to a different universe of stocks than that used to generate these charts and is used to generate investment ideas. This presentation is not intended to show the historical performance of any account but instead to measure the predictive ability of the quantitative model. Please see page 8 for a description of the criteria used by the quantitative model. Performance shown is past performance. Past performance is no guarantee of future results

Investment process

Stock selection



Investment process

What we look for in investments

Quantitative

Sustainable Growth

- High real EPS growth
- Visibility of earnings
 - Strong product or service franchise
 - Strong market share
 - Beneficiary of structural change
- Limited financing risk

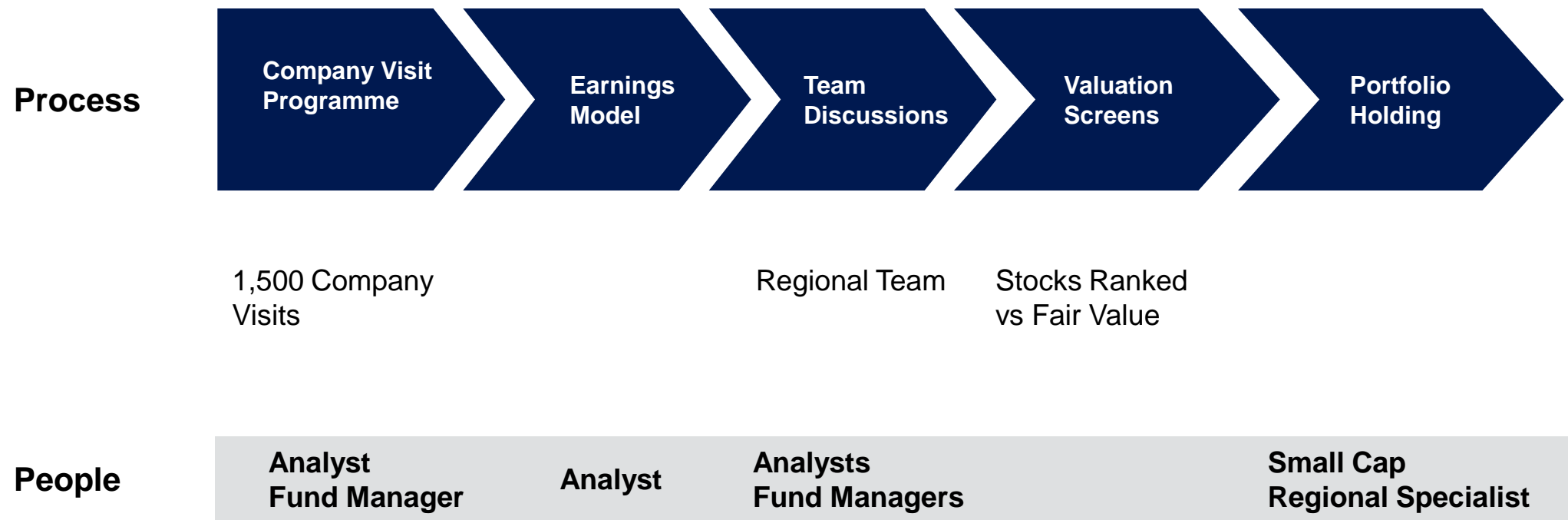
Qualitative

Management Assessment

- Interest in shareholder value
- Focused strategy
- Sound business practices
- Historic record of success
- Length of time with company

Investment process

Building stock portfolios



Source Schroders as of June 30, 2012

Investment process

Sell discipline

Our methodology allows us to identify holdings that offer poor relative potential and in which conviction is low

The decision to sell a position may be based on:

- Position reaches fair value target price
- Opportunity cost perceived in comparison to alternative investment
- Fundamental deterioration makes original target price no longer appropriate

Investment process

Portfolio construction – Overview

- Smallcap regional portfolio managers have primary responsibility for regional portfolio construction
- Regional and Sectoral weightings are reviewed by smallcap team to ensure compliance of overall portfolio with
 - Regional Allocation targets
 - Risk/Return expectations
 - Avoidance of unintended biases (i.e. sector over-concentration)
- Supplemented by ongoing monitoring of overall portfolio by Matthew Dobbs

Investment process

Portfolio construction - Regional allocation



* Source Schroders as of June 30, 2012

Investment process

Controlling portfolio risk

PRISM brings together alternative risk measurement and management tools into a single report

- Online
- Interactive

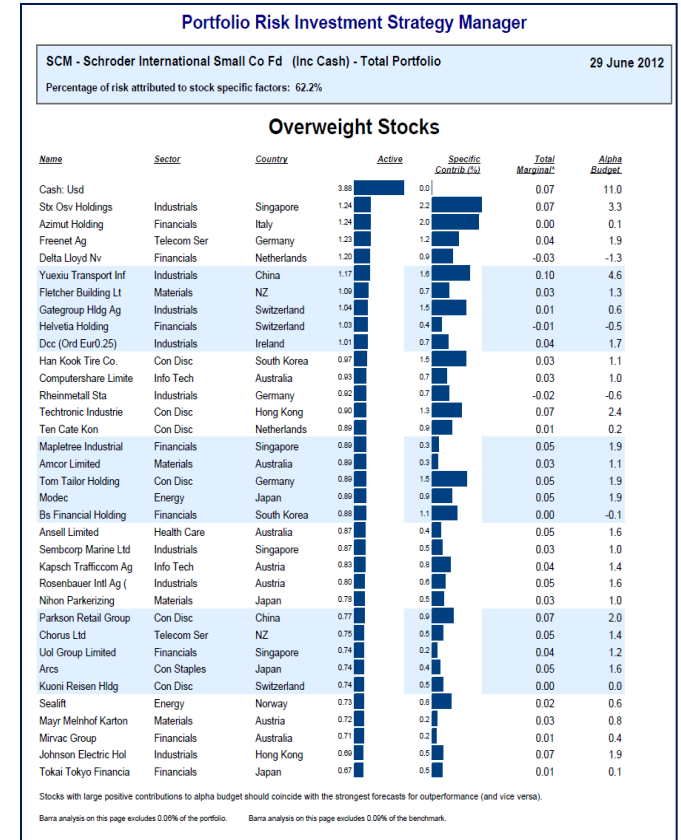
PRISM integrates both internal and external tools

- Risk analysis
- Characteristics analysis
- Other statistical measures

The PRISM Risk Report identifies active risk and the sources of risk by decomposing active portfolio positions into Stock Specific/Sector and Style factors

Portfolio risk investment strategy manager – overview

Stock Detail



Risk management

Risk management guidelines

- Cash not to exceed 5% of the value of the fund
- Stock weights: No formal limits, but generally between +/- 2% relative to the benchmark
- Sector weights: No formal limits, but generally between +/- 7% relative to benchmark
- Country weights: No formal limits, but generally between +/- 7% relative to the benchmark
- Derivatives: Not used

Biographies

Portfolio Manager

Matthew Dobbs joined Schroders in 1981. Following 4 years in Research, Matthew has been involved in both global and specialised Pacific Basin portfolio management. He took overall responsibility for international and global SmallCap in 2000 having been, prior to that, Pacific ex Japan SmallCap specialist, and has held a SmallCap role since 1996

Europe

Rosemary Banyard graduated from Cambridge University in 1979 with an Honours Degree in Classics. She joined James Capel as a graduate trainee, spent two years advising non-discretionary private clients on their investments, and then moved into equity research, specialising in the textiles sector. In 1995 she completed an MBA at London Business School and joined John Govett where she managed the UK Small Companies Unit Trust. She joined Schroders in November 1997 as a member of the SmallCap Team

Andrew Lynch is a Pan-European SmallCap specialist. He joined Schroders in 1998 having completed internships within the Schroder Group. He manages a mixture of institutional funds and unit trusts. Andy has a degree in Politics, Philosophy and Economics from Balliol College, Oxford

Andy Brough graduated from Manchester University with a Degree in Economics before joining Price Waterhouse where he qualified as a Chartered Accountant. He joined Schroders in 1987. He is Head of our UK Smaller Companies Fund Management Team. Andy has specialised in SmallCap since 1987

Luke Biermann graduated from Bath University with a 1st Class Honours BSc degree in Computer Science. He joined Schroders in October 2006, and has joined the Smallcap team as an analyst

Iain Staples joined Schroders in January 2012 as a UK smallcap analyst. He joined with thirteen years of prior experience as a UK equity analyst covering a wide range of sectors, and prior to that four years as a management consultant. He holds an MA degree in mathematics from Cambridge University, and a BSc from UMIST in Theoretical Physics.

Rory Pike joined Schroders in 2010 starting with the Corporate Responsibility Team. He transferred to the Small Cap team in April 2012. He is a graduate of Trinity College, Dublin.

Biographies

Japan

Takuya Furutani joined Schroders as a smallcap analyst in November 2003. He was formerly with Lombard Odier Darier Hentsch, and prior to that Commerz International Capital Management. His investment career commenced in 1994. He has a degree in Business Administration from Northeastern University, Boston

Andrew Rose is a graduate in Japanese and Politics, University of Sheffield and spent a year on a Japanese Government Scholarship to Kobe University to study International Economics. He joined Schroders in 1981 as an analyst, moving to Tokyo in 1984 for three years. Returning to London in 1987, he was responsible for Japanese equity investments for SIM UK and continental European clients. He was seconded to SIM (Japan) as Senior Investment Officer in 1996 with responsibility for Schroders' Japanese equity and SmallCap policy. He has held his SmallCap responsibilities for 16 years

Ayumi Kobayashi joined Schroders in July 2004. She was previously an equity analyst with Yasuda Asset Management, and started her investment career in April 1990. Ayumi has a degree in law from Sophia University, an MBA from Insead and is a CMA

Kazuhiro Toyoda joined our Japanese smallcap team as an analyst on 1st April 2008. Mr Toyoda 10 years investment experience with Nippon Life, the largest life insurance company in Japan, and most latterly worked in a JV between Nippon Life and Hermes, the UK based fund manager. He is a graduate of Tokyo University, has an MBA from Niigata University, and is both a CFA and a CMA

Biographies

Pacific ex. Japan

Chua Piang Sze joined us in Singapore in March 2004 as a smallcap analyst. She graduated in 1992 as a Bachelor in Business (Banking and Insurance) from Nanyang Technological University in Singapore, and started her career as an economist with Standard Chartered Bank. Prior to joining Schroders, she was an analyst for five years with a local securities house, DBS Vickers

Richard Sennitt joined Schroders in October 1993 as a Japanese analyst, and has managed specialist Asian equities since 1997. He joined the small cap team in December 2007. He is a member of the International Small Cap Investment Committee and Co-manager of Global Small Cap Funds. Richard is a graduate of Oxford University, an Associate Member of UKSIP and is a member of the CFA Institute

Yoon Hee Kyoung joined Schroders in 2007 as an analyst covering smallcap consumer and service stocks in Korea. She has had experience working in both securities and asset management companies in a research capacity. She holds a degree in Arts and Economics from the State University of New York

Kim Young Roe joined Schroders in April 2008 as an analyst covering construction, shipbuilding and infrastructure stocks in Korea. His investment analytical career started in 1999, and he has since held appointments in both domestic and foreign-owned securities companies. He has a BA degree from Seoul University

Jacqueline Kuek joined Schroders in December 2005 as an equity analyst with the Asia ex Japan team with responsibility for Singapore stocks. She became a member of the Global Smallcap team in June 2009. Her investment career commenced upon joining Morgan Stanley as a research analyst in 2000. She holds a degree in Accountancy from Nanyang Technological University, and is both a CFA Charterholder and a Certified Public Accountant

Jing Li joined Schroders in November 2010 as an analyst based in Hong Kong covering Hong Kong and Chinese smallcap stocks. She was formerly with a small Hong Kong based private equity company, and prior to that Morgan Stanley where her investment career commenced in 2004. She has a BA in Economics/Computer Science from Smith College

Paul Rathband joined Schroders in August 2011 as an Asian Small Cap analyst based in Singapore. His investment career commenced in 1991 in Hong Kong with W.I. Carr Securities, covering Hong Kong, Singapore and Malaysian markets. He joined Schroders from RBS Asia Securities in Singapore, where he was Managing Director and responsible for Asia ex Japan research sales. Prior to RBS, Paul was at Arab Malaysian Securities based in Kuala Lumpur

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Performance Figures

Performance figures are presented on a "gross basis" not reflecting the deduction of investment advisory fees.

Index Benchmark Comparison

Performance is compared to the S&P EPAC SmallCap Index (prior to October 1st 2008 the index name was S&P/Citigroup EMI EPAC), a widely accepted benchmark for International equity accounts. This index is unmanaged and does not reflect the deduction of any fees or expenses.

Past Performance

The returns presented represent past performance and are not necessarily representative of future returns which may vary. The value of investments can fall as well as rise as a result of market or currency movements

Opinions

Schroders has expressed its own views and opinions in this presentation and these may change

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September 2012